

DELINQUENT PAYMENTS TO  
RETIREMENT SYSTEMS



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PERFORMANCE AUDIT  
ISSUED MARCH 30, 2005

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March 30, 2005

The Honorable Donald E. Hines,  
President of the Senate  
The Honorable Joe R. Salter,  
Speaker of the House of Representatives

Dear Senator Hines and Representative Salter:

This report gives the results of our performance audit concerning late payments made to the Teachers' Retirement System of Louisiana, the Louisiana State Employees' Retirement System and the Louisiana School Employees' Retirement System. The audit was conducted under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended.

As a result of discussions in an October 13, 2004, Legislative Audit Advisory Council meeting, we conducted this audit in an effort to provide the legislature with relevant information regarding delinquent payments. The data in this report are meant to assist legislators in their decision-making processes.

Sincerely,

Steve J. Theriot, CPA  
Legislative Auditor

SJT/ss

[RETDELQ05]

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## DELINQUENT PAYMENTS TO RETIREMENT SYSTEMS \_\_\_\_\_

**EXECUTIVE SUMMARY****Performance Audit Findings****Late Payers and Lost Interest** *(See pages 7 through 14 of the report.)***Some Entities Have Been Late in Paying Required Contributions to Retirement Systems Over the Last Three Fiscal Years.**

More than 54 % of TRSL's member agencies were late in at least one of the three years we tested (FY 2002 - FY 2004) compared to 26 % for LSERS and 2 % for LASERS. From FY 2002 to FY 2004, late payers were charged over \$800,000 in interest at TRSL and over \$45,000 at LSERS. Late payers at LASERS would have been charged more than \$17,000 if the system had charged interest. *See page 10.*

**Not All Retirement Systems Have Been Charging Delinquent Payers Interest in a Manner That Conforms With Louisiana Law.**

Of the three state retirement systems we reviewed, only TRSL has been charging interest to delinquent payers in the manner required by Louisiana law. LASERS has chosen not to charge interest because of cost/benefit concerns resulting in a loss of interest of at least \$17,900. LSERS has charged delinquent payers interest at an incorrect rate since January 1, 1991, resulting in overcharges to delinquent payers of more than \$22,000 from FY 2002 - FY 2004. *See pages 10-12.*

**The Judicial Rate of Interest May Not Fully Compensate the Retirement Systems for Lost Interest Due to Delinquent Payments.**

The rate of interest that Louisiana law requires late payers to be charged is significantly lower than the long-term rates of return earned by the retirement systems. This rate was established when high return investments were not as common as in today's market. Therefore, by charging this rate, the retirement systems may not be fully compensated for lost earnings because of late payments. *See pages 12-13.*

**Louisiana Laws Provide Retirement Systems With a Means to Collect Delinquent Payments; However, Laws Are Inconsistent and Have Rarely Been Used.**

Louisiana law authorizes LASERS to recover delinquent payments through the state treasurer. TRSL and LSERS may recover delinquent payments through the state treasurer or the Department of Education. These laws are inconsistent in terms of who authorizes this process at the retirement system. Also, according to staff at the systems, they have rarely used this process in the past. *See pages 13-14.*

## DELINQUENT PAYMENTS TO RETIREMENT SYSTEMS \_\_\_\_\_

## **AUDIT INITIATION AND INTRODUCTION**

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### **Audit Initiation and Objectives**

The state constitution (Article X, Section 29) provides that the legislature shall provide for retirement of teachers, other employees of the public educational system, and state employees, and this provision is to be carried out by establishment of one or more retirement systems. There are four state systems:

- Teachers' Retirement System of Louisiana (TRSL)
- Louisiana State Employees' Retirement System (LASERS)
- Louisiana School Employees' Retirement System (LSERS)
- State Police Pension and Retirement System (STPOL)

As a result of concerns raised at the Legislative Audit Advisory Council meeting on October 13, 2004, we identified delinquent agencies and quantified, to the extent possible, the amount of monies lost to three of the retirement systems because of lack of payments and lost interest.

We excluded the State Police Pension and Retirement System (STPOL) from this work, as the issue of late payments brought up at the Audit Advisory Council meeting related to school systems. In addition, the Department of Public Safety (DPS) is the only member agency for STPOL. STPOL indicated that it has no issues with late payments from DPS.

Our objective was to answer the following question:

- What member agencies are delinquent and how much have the retirement systems lost in interest?

Appendix A contains our audit scope and methodology.

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### **Background Information**

Retirement systems are largely funded by monthly contributions from employers. These contributions are invested and ultimately used to pay benefits to individual members. Exhibit 1 on the following page provides membership, contribution, and benefits data for TRSL, LASERS, and LSERS.



## DELINQUENT PAYMENTS TO RETIREMENT SYSTEMS

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State law requires employers to submit monthly payments to TRSL (R.S. 11:887), LASERS (R.S. 11:531) and LSERS (R.S. 11:1202) by certain deadlines (see Exhibit 2). Payments received after these deadlines are considered delinquent. R.S. 11:281 states that delinquent payments “shall include interest to be paid to the retirement system at the rate of legal interest computed from the date the payment became delinquent.” For calendar year 2004, the legal rate of interest was 5.25%.

State law also provides TRSL, LASERS, and LSERS with legal means to resolve delinquent accounts. R.S. 11:531 authorizes LASERS to recover delinquent payments through the state treasurer, while TRSL and LSERS may recover delinquent payments through the state treasurer or the Department of Education according to R.S. 11:886-11:887 and R.S. 11:1202, respectively.

<b>Exhibit 1</b> <b>Membership, Contributions, and Data</b> <b>Fiscal Year 2004</b>					
<b>Retirement System</b>	<b>Number of Individual Members</b>	<b>Number of Member Agencies</b>	<b>Employee Contributions</b>	<b>Employer Contributions</b>	<b>Benefits Paid</b>
TRSL	159,434	172	\$265 million	\$444 million	\$1,075 million
LASERS	64,149	347	\$163 million	\$336 million	\$573 million
LSERS	25,769	92 <sup>1</sup>	\$20 million	\$28 million	\$103 million
<b>Source:</b> Fiscal year 2004 audited financial statements and retirement systems' staff					
<sup>1</sup> The number of agencies for LSERS was obtained from the system's staff.					

<b>Exhibit 2</b> <b>When Payments Become Delinquent</b>		
<b>Retirement System</b>	<b>When Payments Become Delinquent</b>	<b>Example: December's Payment Will Be Charged Interest if Received After</b>
TRSL	15 days after the end of the month	January 15
LASERS	15 days after the end of the month	January 15
LSERS	30 days after the end of the month	January 30
<b>Source:</b> Louisiana Revised Statutes		

## WHAT MEMBER AGENCIES ARE DELINQUENT AND HOW MUCH HAVE THE RETIREMENT SYSTEMS LOST IN INTEREST?

As of January 18, 2005, there were nearly \$3 million in delinquent payments to three of the state retirement systems. Over the last three fiscal years, 54% of TRSL members were late, 26% at LSERS, and 2% at LASERS. In addition, LASERS does not charge interest as required by law and LSERS has been overcharging interest to delinquent agencies. Finally, the current judicial rate may not be enough to compensate systems for lost earnings due to delinquent payments.

### As of January 18, 2005, There Were Nearly \$3 Million in Delinquent Payments to TRSL, LASERS, and LSERS

We obtained delinquent payments from employer agencies as of January 18, 2005. We found that there were nearly \$3 million in delinquent payments owed to TRSL, LASERS, and LSERS. Approximately \$2.4 million of these delinquent payments result from December 2004 billings for TRSL and LASERS and November billings for LSERS. The following exhibits list the delinquent agencies and delinquent amounts.

<b>Exhibit 3</b> <b>TRSL</b> <b>Delinquent Payers as of January 18, 2005</b>		
<b>Entity</b>	<b>Amount Delinquent</b>	<b>Date Payment Was Due</b>
St. John the Baptist Parish School Board	\$649,040	January 15, 2005
Jefferson Parish School Board	\$323,340	January 15, 2005
Pointe Coupee Parish School Board <sup>1</sup>	(\$206,274) 505,850 <hr/> \$299,576	December 15, 2004 July 15, 2004
Claiborne Parish School Board	\$278,128	January 15, 2005
Grambling State University	\$268,952	January 15, 2005
Bogalusa City Schools	\$195,496	January 15, 2005
City of Baker School Board	\$154,353 577 <hr/> \$154,930	November 15, 2004 Fiscal Year 2004
Tensas Charter School	\$38,769	Fiscal Year 2001-2003 <sup>3</sup>
Elaine Nunez Community College	\$35,235	Fiscal Year 1999 <sup>2</sup>
South Louisiana Community College	\$1,096 22,449 <hr/> \$23,545	December 15, 2004 July 15, 2004
<b>Total Delinquent Balance, 1/18/2005: <u>\$2,267,011</u></b>		
<sup>1</sup> Pointe Coupee over paid November 2004's payment (due December 15) but still has an outstanding balance for June 2004's payment (due July 15). <sup>2</sup> Elaine Nunez Community College's balance is due to journal entry adjustments to correct recently discovered errors. These errors date back to fiscal years 2001 and 1999, respectively. <sup>3</sup> Tensas Charter School's delinquency has been sent to a collection agency. <b>Source:</b> TRSL staff		

## DELINQUENT PAYMENTS TO RETIREMENT SYSTEMS

<b>Exhibit 4 LASERS Delinquent Payers as of January 18, 2005</b>		
<b>Entity</b>	<b>Amount Delinquent</b>	<b>Date Payment Was Due</b>
Delgado College	\$160,662	January 15, 2005
McNeese State University	\$134,682	January 15, 2005
LA State University at Shreveport	\$62,473	January 15, 2005
LASERS	\$58,851	January 15, 2005
East Jefferson Levee District	\$32,776	January 15, 2005
Orleans Parish School Board	\$21,813	January 15, 2005
Custodian of Notorial Archives	\$14,023	January 15, 2005
State Plumbing Board	\$13,161	December 15, 2004 January 15, 2005
LA Used Motor Vehicle	\$13,106	January 15, 2005
Department of Finance, City of New Orleans	\$13,019	December 15, 2004 January 15, 2005
LA Board of Registration for Professional Engineers	\$7,527	January 15, 2005
LA Tax Free Shopping	\$3,945	January 15, 2005
Lincoln Parish School Board	\$2,991	January 15, 2005
St. Tammany Parish School Board	\$2,173	January 15, 2005
City of Baker School Board	\$1,837	January 15, 2005
Monroe City School Board	\$1,776	January 15, 2005
2nd Judicial District Court Div. B	\$1,708	January 15, 2005
LA State Board of Physical Therapy	\$1,624	January 15, 2005
New Vision Learning Academy	\$1,034	January 15, 2005
Regional Transit Authority	\$938	January 15, 2005
City of Ruston	\$744	January 15, 2005
City Court of Port Allen	\$619	January 15, 2005
City of New Iberia	\$613	January 15, 2005
Marksville City Court	\$426	January 15, 2005
City of Donaldsonville	\$160	January 15, 2005
City of Lake Charles	\$160	January 15, 2005
Winn Parish Police Jury	\$59	January 15, 2005
<b>Total Delinquent Balance, 1/18/2005: <u>\$ 552,900</u></b>		
<b>Note:</b> This exhibit includes some local government entities. According to LASERS staff, all judges are members of LASERS but may be paid through local government budgets. Also, if a vested state employee moves to the local sector, he/she may elect to retain LASERS membership. Previously, law allowed certain not-for-profits around the Orleans area to become members of LASERS as well (see Appendix C). This law has since been repealed. <b>Source:</b> LASERS staff		

<b>Exhibit 5</b> <b>LSERS</b> <b>Delinquent Payers as of January 18, 2005</b>		
<b>Entity</b>	<b>Amount Delinquent</b>	<b>Date Payment Was Due</b>
East Baton Rouge Parish School Board	\$59,364	December 30, 2004
St. Landry Parish School Board	\$24,304	December 30, 2004
Union Parish School Board	\$9,398	December 30, 2004
Jefferson Parish School Board	\$7,111	December 30, 2004
Concordia Parish School Board	\$6,736	December 30, 2004
Catahoula Parish School Board	\$5,280	December 30, 2004
St. Charles Parish School Board	\$5,165	December 30, 2004
Lafayette Parish School Board	\$4,786	December 30, 2004
Assumption Parish School Board	\$4,344	December 30, 2004
Rapides Parish School Board	\$3,799	December 30, 2004
Tangipahoa Parish School Board	\$2,072	December 30, 2004
Livingston Parish School Board	\$1,817	December 30, 2004
Iberville Parish School Board	\$1,748	December 30, 2004
Ouachita Parish School Board	\$1,635	December 30, 2004
Glencoe Charter School	\$1,345	December 30, 2004
Bienville Parish School Board	\$1,266	December 30, 2004
Vermilion Parish School Board	\$1,235	December 30, 2004
Winn Parish School Board	\$780	December 30, 2004
Natchitoches Parish School Board	\$663	December 30, 2004
Pointe Coupee Parish School Board	\$602	December 30, 2004
LA Technical Colleges	\$597	December 30, 2004
Jefferson Davis Parish School Board	\$519	December 30, 2004
St. Bernard Parish School Board	\$309	December 30, 2004
Allen Parish School Board	\$303	December 30, 2004
Caddo Parish School Board	\$220	December 30, 2004
Avoyelles Public Charter School	\$168	December 30, 2004
Iberia Parish School Board	\$124	December 30, 2004
New Orleans Center for Creative Arts	\$15	December 30, 2004
Lafourche Parish School Board	\$12	December 30, 2004
<b>Total Delinquent Balance, 1/18/2005: <u>\$ 145,717</u></b>		
<b>Source:</b> LSERS staff		

### **Some Entities Have Been Late in Paying Required Contributions to Retirement Systems Over the Last Three Fiscal Years**

To identify any patterns in delinquencies, we identified entities that were late in remitting contributions to TRSL, LASERS, and LSERS in at least one fiscal year during the last three fiscal year periods ending June 30, 2004. We classified entities that were delinquent at least three times in one fiscal year and were charged (or could have been) over \$100 in interest as being “late” for that fiscal year. After reviewing records at each of the retirement systems, we found that 54% of TRSL members were late in at least one of the three years we tested, compared to 26% for LSERS and 2% for LASERS. For all 612 member agencies, 52, or 9%, were late in all three fiscal years. Exhibit 6 shows a summary of late payers.

<b>Exhibit 6 Late Payers* FY 2002 - FY 2004</b>			
<b>System</b>	<b>Average Number of Member Agencies FY 02 - FY 04</b>	<b>Number of Late Payers FY 02 - FY 04</b>	<b>Percent of Member Agencies That Were Late</b>
TRSL	172	93	54 %
LASERS	347	6	2 %
LSERS	93**	24	26 %
*See Appendixes B, C, and D for a detailed listing of late payers. **Number of member agencies was obtained from LSERS staff because we could not locate the number of agencies in the system’s financial statements like we did for TRSL and LASERS. <b>Source:</b> Prepared by legislative auditor’s staff using data obtained from the retirement systems and fiscal year 2004 audited financial statements			

### **Not All Retirement Systems Have Been Charging Delinquent Payers Interest in a Manner That Conforms With Louisiana Law**

Of the three state retirement systems we reviewed, only TRSL has been charging interest to delinquent payers in the manner required by law. LASERS has chosen not to charge interest because of cost/benefit concerns, and LSERS has charged delinquent payers interest at an incorrect rate since January 1, 1991.

R.S. 11:281 states that “all payments of employers’ contributions and employees’ contributions, including any payments due from the state of Louisiana which are paid after becoming delinquent, shall include interest to be paid to the retirement system at the rate of legal interest computed from the date the payment became delinquent.” R.S. 9:3500 (formerly Article 2924 of the Louisiana Civil Code) establishes the judicial rate of interest as the “legal rate of interest.” This rate is set each year by the Louisiana Office of Financial Institutions. For

calendar year 2004, the legal/judicial rate of interest was 5.25%. Exhibit 7 summarizes the interest charged to late payers at TRSL and LASERS from fiscal year 2002 to fiscal year 2004. Exhibit 8 summarizes the amount of interest LASERS could have charged during the same time period using the judicial rate.

<b>Exhibit 7</b> <b>Interest Charged to Late Payers</b> <b>FY 2002 - FY 2004</b>				
<b>System</b>	<b>Total Interest, FY 02 - FY 04</b>	<b>FY 2004 Interest</b>	<b>FY 2003 Interest</b>	<b>FY 2002 Interest</b>
TRSL	\$808,579.88	\$227,724.89	\$167,629.31	\$413,225.68
LASERS	\$45,874.34	\$22,685.09	\$8,349.43	\$14,839.82
<b>Source:</b> Prepared by legislative auditor's staff using data obtained from the retirement systems				

<b>Exhibit 8</b> <b>Lost Interest</b> <b>FY 2002 - FY 2004</b>				
<b>System</b>	<b>Total Interest, FY 02 - FY 04</b>	<b>FY 2004 Interest</b>	<b>FY 2003 Interest</b>	<b>FY 2002 Interest</b>
LASERS*	\$17,971.17	\$4,715.52	\$4,218.13	\$9,037.52
*LASERS does not charge interest to late payers. Therefore, the amount of interest shown here represents the <i>minimum</i> amount the system <i>could</i> have charged delinquent agencies based on our review. <b>Source:</b> Prepared by legislative auditor's staff using data obtained from the retirement systems				

Our review of records at TRSL showed that the system properly charged the judicial rate of interest to delinquent payers from fiscal years 2002 through 2004, and collected a total of more than \$808,000 in interest during this period. The TRSL accounting system automatically calculates interest due for delinquent payers and adds this interest to the entity's outstanding balance. By consistently charging delinquent payers interest at the judicial rate, TRSL has complied with state law and has ensured that the system is compensated for delinquent payments.

After reviewing records at LASERS and speaking to officials there, we discovered that LASERS does not charge delinquent payers interest as required by state law. Our review indicated that LASERS did not collect more than \$17,900 in interest from delinquent payers that the system was entitled to for fiscal years 2002, 2003, and 2004 (see Appendix C for a listing of these delinquent payers and the amounts of uncollected interest). LASERS officials indicated that the costs involved in collecting would be greater than the interest collected. These officials also stated that LASERS has few problems with delinquent payers. This statement appears to be accurate based on the small number of late payers for LASERS over the past three fiscal years (see Exhibit 6).

## DELINQUENT PAYMENTS TO RETIREMENT SYSTEMS

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Our review of LSERS revealed that the system does charge delinquent payers interest, but at an incorrect rate. The LSERS accounting system has been charging delinquent payers interest at the rate of 11.5% for the last three fiscal years. During this time period, the judicial interest rate (which should have been used) has ranged between a low of 4.5% in calendar year 2003 to a high of 5.75% in calendar year 2002. After speaking with LSERS executive director, it appears that the interest rate used by LSERS accounting system was initially set (correctly) when the judicial rate was 11.5 % in 1990. However, LSERS accounting system was not updated with the yearly changes in the judicial rate, and this situation has resulted in the system overcharging late payers in each fiscal year since January 1, 1991, to the present. During the last three fiscal years, we estimate that LSERS overcharged delinquent payers by over \$22,000 (see Appendix E for a listing of most entities charged excess interest). The executive director stated that LSERS will take steps to ensure that the correct rate is used in the future.

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### **The Judicial Rate of Interest May Not Fully Compensate the Retirement Systems for Lost Interest Due to Delinquent Payments**

The judicial rate of interest, which is required by law to be used to calculate interest for delinquent payers, is calculated by adding 3.25 % to the Federal Reserve Board of Governors' approved discount rate. This rate approximates the returns that would be earned in a fixed income portfolio (see comparison in Exhibit 9), which in the past was the only type of investment that a retirement system could invest in.

However, retirement systems can now invest in equities and consequently achieve higher rates of return than would be achieved in fixed income investments. Therefore, the judicial rate may no longer be an appropriate rate to charge late payers, since it does not reflect the rate of return that retirement systems would have been able to earn today if contributions would have been received and invested timely. Exhibit 9 compares 10-year averages of the judicial rate, the Lehman Brothers' aggregate bond index, and the investment returns earned by TRSL, LASERS, and LSERS to the current judicial rate.

<b>Exhibit 9</b>					
<b>Comparison 10-Year Average Rates and Current Judicial Rate</b>					
<b>For 10-Year Period Ending June 30, 2004</b>					
<b>2004 Judicial Rate</b>	<b>Judicial Rate - 10-Year Average</b>	<b>Lehman Brothers' Aggregate Bond Index - 10-Year Average</b>	<b>10-Year TRSL Investment Return</b>	<b>10-Year LASERS Investment Return</b>	<b>10-Year LSERS Investment Return</b>
5.25 %	7.33 %	7.39 %	9.6 %	8.8 %	8.96 %
<b>Source:</b> FYE 2004 audited financial statements, FYE 2004 investment reports, Office of Financial Institution's Web site: <a href="http://www.ofi.state.la.us">www.ofi.state.la.us</a>					



As illustrated in Exhibit 9, the current judicial rate of interest is lower than all other returns. By requiring retirement systems to use the judicial rate when charging late payers interest, state law is preventing the systems from receiving necessary compensation for late payments.

### **Louisiana Laws Provide Retirement Systems With a Means to Collect Delinquent Payments; However, Laws Are Inconsistent and Have Rarely Been Used**

R.S. 11:531 authorizes LASERS to recover delinquent payments through the state treasurer. TRSL and LSERS may recover delinquent payments through the state treasurer or the Department of Education (DOE) according to R.S. 11:886-11:887 and R.S. 11:1202, respectively. Each of these laws establishes a process whereby an authorizing authority at the retirement system notifies either the state treasurer or DOE of delinquencies. After notification, available monies at these entities can be remitted to the retirement system. These laws are inconsistent in terms of who authorizes this process at the retirement system as illustrated in Exhibit 10. Also, according to staff at the systems, they have rarely used this process in the past.

Exhibit 10 Laws Allowing Recovery of Delinquent Payments Through the State Treasurer and the State Department of Education			
State Retirement System	Relevant Louisiana Law(s)	Entity Addressed in Law	Authorizing Authority at Retirement System
LASERS	R.S. 11:531	Treasurer	Director
TRSL	R.S. 11:886 R.S. 11:887	DOE and Treasurer	Board of Trustees Board of Trustees
LSERS	R.S. 11:1202	DOE and Treasurer	Board of Trustees
<b>Source:</b> Legislative auditor's staff analysis of Louisiana law			

As illustrated in Exhibit 10, the Board of Trustees must authorize action to be taken under the above statutes at TRSL and LSERS, but the system's director may do so at LASERS. TRSL and LSERS provisions could result in issues with delinquencies not being addressed as timely at TRSL and LSERS, since the system would have to wait until the board's monthly meetings to act under these statutes. Staff at TRSL and LSERS stated that allowing the director to authorize action would help them to act more quickly should they decide to use these statutes in recovering delinquent payments.

After speaking with representatives at TRSL, LASERS, and LSERS, we discovered that the statutes discussed above are rarely used by the retirement systems to resolve delinquent payments. None of the three systems made use of any of these statutes during our audit period, despite the delinquencies that occurred (discussed on pages 10-12). According to staff at each system, most delinquencies are resolved through correspondence, so the systems usually do not



## DELINQUENT PAYMENTS TO RETIREMENT SYSTEMS

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need to resort to using these laws. The current delinquencies we have compiled on pages 7-9 support this statement, as most of the delinquencies (approximately \$2.4 million out of \$3 million) are only late by one reporting period. Also, some member agencies (such as charter schools) may not have funds available at DOE or the Department of Treasury.

**Recommendation 1:** LASERS should begin charging delinquent payers interest at the judicial rate as required by law.

**Management's Response:** LASERS agrees with this recommendation and will begin charging delinquent employer agencies in accordance with R.S. 11:281 (B), effective April 2005. LASERS also asked for the Legislative Auditor's support in requesting a change in the time frame in which a contribution is considered delinquent from "within 15 days" to "within 30 days" after the close of the calendar month. This would provide more efficiency in the operations of this area. (See Appendix F for the system's complete response.)

**Recommendation 2:** LSERS should adopt the judicial rate set by the Louisiana Office of Financial Institutions as its rate of interest for delinquent payers.

**Management's Response:** LSERS agrees with this recommendation and has taken appropriate action regarding changing its system to ensure that it charges the correct rate of interest on delinquent payments. (See Appendix F for the system's complete response.)

**Matter for Legislative Consideration 1:** The legislature may wish to consider changing the required rate of interest charged to late payers from the judicial rate to a rate more representative of what the retirement systems earn in their investment portfolios today. For example, they could use the actuarially assumed rate of return.

**Management's Response:** LSERS, LASERS, and TRSL agree with the matter for legislative consideration. (See Appendix F for the system's complete response.)

**Matter for Legislative Consideration 2:** The legislature may wish to consider revising R.S. 11:886-11:887 and R.S. 11:1202 to allow the directors of TRSL, LASERS, and LSERS to initiate collection actions under these statutes.

**Management's Response:** LSERS agrees with the matter for legislative consideration as it would strengthen the system's financial position. LASERS and TRSL had no comment on the matter. (See Appendix F for the system's complete response.)

## **APPENDIX A: SCOPE AND METHODOLOGY**

We conducted this performance audit under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. We followed the applicable generally accepted government auditing standards as promulgated by the Comptroller General of the United States. Preliminary work on this audit began in October 2004.

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### **Scope and Methodology**

This audit focuses on delinquent payments made by member agencies to the Teachers' Retirement System of Louisiana (TRSL), the Louisiana State Employees' Retirement System (LASERS) and the Louisiana School Employees' Retirement System (LSERS) during the past three fiscal years (2002-2004). Specifically, we:

- Identified member agencies that are currently late in remitting contributions (as of January 18, 2005)
- Identified member agencies that were late in remitting contributions during any of the last three fiscal years (we defined late as an entity being late three or more times in any one year and incurring \$100 or more in interest charges during that year)
- Determined the amount of interest charged to late payers of each system
- Determined whether the retirement systems charged interest to late payers in accordance with Louisiana law
- Determined if systems incurred lost interest
- Examined whether the retirement systems are appropriately compensated for late payments
- Reviewed the policies and procedures that the retirement systems use to ensure that the systems receive the payments due to them in an accurate and timely manner. We did not report on this because controls seem to be adequate and we did not do extensive audit work (i.e., testing) in this area. We did formulate minor suggestions for improvement and will inform the systems by memo and/or personal meeting.

We excluded the State Police Pension and Retirement System (STPOL) from this work, as the Department of Public Safety (DPS) is the only member agency for STPOL. STPOL indicated that it has no issues with late payments from DPS.

We also conducted the following specific tasks:

- Obtained a listing of currently delinquent agencies from each system
- Conducted legal research to identify applicable Louisiana laws
- Interviewed staff at the retirement systems
- Obtained, analyzed, and summarized detailed financial records from the retirement systems pertaining to late payments and interest charges
- Contacted an official at the Office of Financial Institutions to determine how the judicial interest rate is set and compared the judicial rate of interest to the rates of return earned by the retirement systems over the last 10 years, as well as to a benchmark index
- Obtained applicable written policies and procedures from each system relating to late payments and reviewed them using professional judgment

## APPENDIX B: LATE PAYERS TO TRSL

<b>Appendix B</b> <b>Interest Charged to TRSL Late Payers</b> <b>Fiscal Years 2002 Through 2004</b>			
<b>Agency</b>	<b>FY 04 Interest</b>	<b>FY 03 Interest</b>	<b>FY 02 Interest</b>
Acadia Parish School Board	\$1,567.86	\$420.79	\$3,562.24
Allen Parish School Board	\$79.40	\$351.79	\$621.03
Avoyelles Parish School Board	\$3,045.22	\$2,233.55	\$2,292.86
Beauregard Parish School Board	\$394.51	\$302.96	\$771.92
Bienville Parish School Board	\$194.44	\$537.57	\$1,774.10
Bossier Parish School Board	\$20.35	\$237.50	\$850.53
Caddo Parish School Board	\$326.99	\$3,822.84	\$15,824.06
Calcasieu Parish School Board	\$70.50	\$523.44	\$8.25
Caldwell Parish School Board	\$0	\$396.15	\$1,466.73
Cameron Parish School Board	\$113.71	\$35.90	\$3,401.79
Catahoula Parish School Board	\$801.66	\$2,028.24	\$6,568.54
Claiborne Parish School Board	\$848.91	\$664.29	\$875.43
Concordia Parish School Board	\$22.08	\$221.41	\$1,443.81
DeSoto Parish School Board	\$26.81	\$816.64	\$5,891.06
East Baton Rouge Parish School Board	\$3,271.86	\$8,605.59	\$26,776.71
East Feliciana Parish School Board	\$1,556.53	\$4,970.63	\$3,452.76
Evangeline Parish School Board	\$0	\$8.83	\$770.85
Franklin Parish School Board	\$1,946.34	\$0.82	\$30.05
Grant Parish School Board	\$0	\$1.60	\$1,235.82
Iberville Parish School Board	\$0	\$4.25	\$235.22
Jefferson Parish School Board	\$0	\$131.70	\$7,858.35
Jefferson Davis Parish School Board	\$155.17	\$518.05	\$698.49
Lafayette Parish School Board	\$16,204.76	\$13,326.34	\$33,797.09
Lafourche Parish School Board	\$2,185.09	\$140.18	\$2,581.55
LaSalle Parish School Board	\$23.46	\$207.67	\$505.10
Lincoln Parish School Board	\$2,525.45	\$1,158.72	\$9,640.21
Madison Parish School Board	\$32.08	\$28.64	\$2,207.21
Morehouse Parish School Board	\$0	\$0.15	\$6,076.99
Natchitoches Parish School Board	\$424.79	\$1,088.33	\$1,817.40
Orleans Parish School Board	\$81,834.57	\$39,197.48	\$165,891.98
Ouachita Parish School Board	\$13,503.28	\$1,465.35	\$4,880.63
Pointe Coupee Parish School Board	\$16,033.79	\$23,067.78	\$214.46
Rapides Parish School Board	\$356.83	\$585.76	\$2.74
Red River Parish School Board	\$255.78	\$620.99	\$2,060.44
Sabine Parish School Board	\$0.07	\$20.28	\$141.27

(Continued)

## DELINQUENT PAYMENTS TO RETIREMENT SYSTEMS

<b>Appendix B</b> <b>Interest Charged to TRSL Late Payers</b> <b>Fiscal Years 2002 Through 2004</b>			
<b>Agency</b>	<b>FY 04 Interest</b>	<b>FY 03 Interest</b>	<b>FY 02 Interest</b>
St. Bernard Parish School Board	\$59.29	\$388.48	\$1,891.83
St. John the Baptist Parish School Board	\$283.27	\$861.71	\$4,701.59
St. Landry Parish School Board	\$661.62	\$602.42	\$746.29
St. Martin Parish School Board	\$3,253.92	\$1,850.17	\$3,667.86
St. Tammany Parish School Board	\$2.02	\$140.33	\$4,700.76
Tangipahoa Parish School Board	\$76.79	\$173.18	\$968.22
Tensas Parish School Board	\$80.22	\$314.58	\$0.01
Union Parish School Board	\$606.26	\$476.53	\$1,139.53
Vermilion Parish School Board	\$359.53	\$170.77	\$552.00
Vernon Parish School Board	\$ 0	\$0.72	\$869.86
West Baton Rouge Parish School Board	\$0	\$10.13	\$384.62
Winn Parish School Board	\$89.06	\$25.06	\$136.65
Bogalusa City Schools	\$10,674.67	\$4,939.52	\$11,958.39
Monroe City Schools	\$13,210.76	\$2,001.81	\$1,115.59
LA Department of Education	\$22.03	\$ 64.71	\$1,109.23
LA Tech University	\$16.24	\$309.98	\$527.04
University of New Orleans	\$0	\$703.99	\$5,763.85
LSU Medical Center - New Orleans	\$0	\$120.96	\$0
Southeastern Louisiana University	\$157.09	\$272.18	\$530.77
Grambling State University	\$1,453.66	\$496.38	\$0
Southern University - Baton Rouge	\$8,177.22	\$5,866.08	\$10,317.51
Southern University - New Orleans	\$0	\$0	\$1,849.47
Delgado Community College	\$1,096.96	\$328.96	\$1,006.51
LA Association of Educators	\$266.22	\$309.60	\$222.22
Teachers' Retirement System of Louisiana	\$1.74	\$23.86	\$116.96
LA Special Education Center	\$92.70	\$248.32	\$316.34
LA School for Math, Science and Arts	\$141.18	\$2,147.45	\$5,280.35
St. Tammany Federation of Teachers	\$383.28	\$682.30	\$710.09
LA Board of Elementary and Secondary Education	\$432.97	\$111.00	\$322.69
LA Department of Social Services	\$11,425.42	\$11,392.64	\$14,587.26
LA Department of Corrections	\$779.91	\$1,109.37	\$939.26
Hammond Developmental Center	\$270.44	\$131.60	\$0
United Teachers of New Orleans	\$40.27	\$38.39	\$324.76
Elaine P. Nunez Community College	\$589.05	\$1,037.71	\$1,964.41
LA Federation of Teachers	\$4,643.22	\$2,169.98	\$1,923.61
LA Department of Agriculture and Forestry	\$157.32	\$133.08	\$238.15
LA Division of Administration	\$235.86	\$178.46	\$366.50
LA Department of Health and Hospitals	\$3,131.06	\$3,221.97	\$4,066.33

(Continued)

<b>Appendix B</b> <b>Interest Charged to TRSL Late Payers</b> <b>Fiscal Years 2002 Through 2004</b>			
<b>Agency</b>	<b>FY 04 Interest</b>	<b>FY 03 Interest</b>	<b>FY 02 Interest</b>
Charity Hospital - New Orleans	\$0	\$0	\$291.89
LA Department of Justice	\$246.26	\$244.48	\$317.04
LA Systemic Initiative Program	\$147.88	\$167.95	\$262.87
LA Department of Insurance	\$264.44	\$262.99	\$342.92
Ware Youth Center	\$182.91	\$634.89	\$587.27
Bossier Parish Community College	\$85.85	\$8.82	\$1,771.43
Jefferson Parish Human Services Authority	\$315.92	\$266.38	\$350.55
South Louisiana Community College	\$754.35	\$923.08	\$1,391.16
New Vision Learning Academy	\$0	\$143.77	\$0
Baton Rouge Community College	\$5.25	\$561.24	\$387.93
Right Step Academy of Excellence	\$103.76	\$406.99	\$0
Education 2000 Charter School	\$188.58	\$187.44	\$0
The Street Academy Charter School	\$41.33	\$2,855.68	\$0
LA Department of Education (formerly 1068)	\$5,708.90	\$0	\$0
Louisiana Community and Technical College System	\$86.69	\$5,610.47	\$0
Tensas Charter School	\$1,788.35	\$2,043.67	\$0
New Orleans Center for Creative Arts	\$257.51	\$397.15	\$0
Avoyelles Public Charter Schools Inc.	\$124.65	\$0	\$0
City of Baker School Board	\$2,980.80	\$14.29	\$0
Louisiana Resource Center for Educators	\$222.73	\$0	\$0
<b>Total Interest Charged to Late Payers ("Late" as defined on page 10)</b>	\$224,199.70	\$165,525.88	\$407,247.24
<b>Interest Charged to Other Delinquent Payers (Not "Late" as defined on page 10)</b>	\$3,525.19	\$2,103.43	\$5,978.44
<b>Total Interest Charged</b>	\$227,724.89	\$167,629.31	\$413,225.68
<b>Total Number Late Payers to TRSL, FY 2002 - FY 2004: <u>93</u></b>			
<b>Source:</b> Prepared by legislative auditor's staff using data provided by LASERS			

(Concluded)

## DELINQUENT PAYMENTS TO RETIREMENT SYSTEMS \_\_\_\_\_

## APPENDIX C: LATE PAYERS TO LASERS

<b>Appendix C</b> <b>Interest Lost From LASERS Late Payers*</b> <b>Fiscal Years 2002 Through 2004</b>			
<b>Agency</b>	<b>FY 04 Interest</b>	<b>FY 03 Interest</b>	<b>FY 02 Interest</b>
East Jefferson Levee District	\$1,079.38	\$57.29	\$94.36
Excelth Incorporated	\$1,308.43	\$1,317.68	\$2,348.44
Department of Finance, City of New Orleans	\$423.25	\$469.95	\$447.97
Orleans Parish School Board	\$532.84	\$368.07	\$3,439.52
Red River and Bayou Bouef Levee District	\$246.67	\$119.58	\$1,041.99
Ware Youth Center	\$903.27	\$1,688.41	\$1,476.88
<b>Total Interest Lost From Late Payers ("Late" as defined on page 10)</b>	\$4,493.84	\$4,020.98	\$8,849.16
<b>Interest Lost From Other Delinquent Payers (Not "Late" as defined on page 10)</b>	\$221.68	\$197.15	\$188.36
<b>Total Interest Lost</b>	\$4,715.52	\$4,218.13	\$9,037.52
<b>Number of Late Payers to LASERS, FY 2002 - FY 2004: <u>6</u></b>			
*LASERS does not charge delinquent payers interest (see page 11 of the report). Therefore, we calculated the amount of interest that the system could have collected for a sample of agencies and used these amounts to classify delinquent payers as late. <b>Source:</b> Compiled by legislative auditor's staff using data provided by LASERS			



## DELINQUENT PAYMENTS TO RETIREMENT SYSTEMS \_\_\_\_\_

## APPENDIX D: LATE PAYERS TO LSERS

<b>Appendix D</b> <b>Interest Charged to LSERS Late Payers</b> <b>Fiscal Years 2002 Through 2004</b>			
<b>Agency</b>	<b>FY 04 Interest</b>	<b>FY 03 Interest</b>	<b>FY 02 Interest</b>
Allen Parish School Board	\$334.34	\$227.58	\$140.78
Avoyelles Parish School Board	\$115.33	\$0	\$0
Bienville Parish School Board	\$286.19	\$127.01	\$57.32
Caddo Parish School Board	\$60.92	\$23.87	\$156.25
Catahoula Parish School Board	\$49.66	\$100.15	\$139.69
Concordia Parish School Board	\$328.65	\$313.73	\$235.69
East Baton Rouge Parish School Board	\$12,379.74	\$1,665.34	\$1,400.29
Lafayette Parish School Board	\$938.70	\$1,318.36	\$936.48
Lafourche Parish School Board	\$42.42	\$46.21	\$186.00
Orleans Parish School Board	\$2,560.78	\$1,570.55	\$8,443.63
Ouachita Parish School Board	\$61.28	\$17.49	\$1,105.18
Plaquemines Parish School Board	\$154.18	\$120.27	\$89.79
Pointe Coupee Parish School Board	\$899.25	\$26.79	\$32.03
Red River Parish School Board	\$123.46	\$36.52	\$33.53
St. Charles Parish School Board	\$298.97	\$258.45	\$225.08
St. Landry Parish School Board	\$1,273.34	\$828.14	\$60.85
St. Tammany Parish School Board	\$140.85	\$0	\$0
Tangipahoa Parish School Board	\$57.05	\$62.63	\$102.75
Union Parish School Board	\$616.84	\$310.78	\$748.70
Bogalusa City Schools	\$122.54	\$0	\$0
Monroe City School Board	\$929.66	\$532.34	\$227.86
LSERS	\$72.73	\$251.82	\$105.80
Department of Public Safety	\$20.90	\$143.90	\$64.68
City of Baker Schools	\$244.34	\$0	\$0
<b>Total Interest Charged to Late Payers ("Late" as defined on page 10)</b>	\$22,112.12	\$7,981.93	\$14,492.38
<b>Interest Charged to Other Delinquent Payers (Not "Late" as defined on page 10)</b>	\$572.97	\$367.50	\$347.44
<b>Total Interest Charged</b>	\$22,685.09	\$8,349.43	\$14,839.82
<b>Number of Late Payers to LSERS, FY 2002 - FY 2004: <u>24</u></b>			
<b>Source:</b> Compiled by legislative auditor's staff using data provided by LSERS			

## DELINQUENT PAYMENTS TO RETIREMENT SYSTEMS \_\_\_\_\_

**APPENDIX E: ENTITIES CHARGED EXCESS INTEREST BY LSERS**

<b>Appendix E</b> <b>Entities Charged Excess Interest by LSERS*</b> <b>Fiscal Years 2002 Through 2004</b>				
<b>Agency</b>	<b>Total Excess Interest FY 2002 - FY 2004*</b>	<b>FY 04 Excess Interest</b>	<b>FY 03 Excess Interest</b>	<b>FY 02 Excess Interest</b>
Allen Parish School Board	\$378.39	\$193.02	\$127.97	\$57.40
Avoyelles Parish School Board	\$70.19	\$70.19	*	*
Bienville Parish School Board	\$238.53	\$170.23	\$68.30	*
Caddo Parish School Board	\$66.32	*	*	\$66.32
Catahoula Parish School Board	\$111.66	*	\$53.96	\$57.70
Concordia Parish School Board	\$452.92	\$190.04	\$170.53	\$92.35
East Baton Rouge Parish School Board	\$8,611.09	\$7,100.96	\$931.95	\$578.18
Lafayette Parish School Board	\$1,650.07	\$539.57	\$711.18	\$399.32
Lafourche Parish School Board	\$80.56	*	*	\$80.56
Orleans Parish School Board	\$5,397.14	\$1,391.56	\$820.60	\$3,184.98
Ouachita Parish School Board	\$313.11	*	*	\$313.11
Plaquemines Parish School Board	\$156.24	\$89.85	\$66.39	*
Pointe Coupee Parish School Board	\$500.56	\$500.56	*	*
Red River Parish School Board	\$73.20	\$73.20	*	*
St. Charles Parish School Board	\$408.91	\$172.31	\$145.05	\$91.55
St. Landry Parish School Board	\$1,198.56	\$727.17	\$471.39	*
St. Tammany Parish School Board	\$78.55	\$78.55	*	*
Tangipahoa Parish School Board	\$42.49	*	*	\$42.49
Union Parish School Board	\$840.81	\$358.04	\$183.92	\$298.85
Bogalusa City School Board	\$67.09	\$67.09	*	*
Monroe City School Board	\$931.48	\$534.76	\$298.06	\$98.66
LSERS	\$188.42	*	\$142.82	\$45.60
Department of Public Safety	\$79.45	*	\$79.45	*
City of Baker School Board	\$137.42	\$137.42	*	*
<b>Total Excess Interest Charged</b>	<b>\$22,073.16</b>	<b>\$12,394.52</b>	<b>\$4,271.57</b>	<b>\$5,407.07</b>
*Excess interest was calculated only for entities that paid \$100 or more in interest for a particular fiscal year. Therefore, blank spaces do not necessarily indicate that no excess interest was charged for that period. <b>Source:</b> Data calculated by legislative auditor's staff using source documents provided by LSERS.				

## DELINQUENT PAYMENTS TO RETIREMENT SYSTEMS \_\_\_\_\_

**APPENDIX F: MANAGEMENT'S RESPONSE**

## DELINQUENT PAYMENTS TO RETIREMENT SYSTEMS \_\_\_\_\_



**State of Louisiana**  
**SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

P.O. BOX 44516  
BATON ROUGE, LOUISIANA 70804-4516  
Telephone: (225) 925-6484  
<http://www.lasers.state.la.us>

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**Patrick Cospier**

**ASSISTANT DIRECTOR**  
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Warren D. Ponder

**EXECUTIVE SERVICES**  
**ASSISTANT**  
Jennifer Champagne

February 24, 2005

Steve J. Theriot, CPA,  
Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Theriot,

We have reviewed your report concerning late payments made to the Louisiana School Employees' Retirement System. We offer the following responses regarding your report and recommendations:

1. LSERS has taken the appropriate action regarding changing our system to ensure that we charge the correct rate of interest on delinquent payments. In addition to this action, the staff of LSERS will recommend revision of LA R.S. 11:1202 to the Board of Trustees. The recommendation will be to consider contribution payments as delinquent the day after the payments are due. The revision will allow LSERS to treat payments as delinquent if received after the 15<sup>th</sup> of the month. The revision will also make the treatment of late payments by LSERS consistent with the treatment by TRSL and LASERS.
2. LSERS would support the recommendations shown in Matters for Legislative Considerations 1 and 2. Both Considerations would serve to strengthen the financial positions of the retirement system.

If you need additional information, please contact our office.

Sincerely,

Patrick Cospier  
Director

Include social security number and current address on all correspondence





Teachers' Retirement System of Louisiana

www.trsl.org

225.925.6446

Post Office Box 94123

Baton Rouge LA 70804-9123

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Liz Guidry-Saizan

February 24, 2005

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
1600 North Third Street  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

In response to your *Performance Audit Report* concerning delinquent payments to TRSL and other retirement systems, we offer the following comments:

We are pleased to note your office's confirmation that TRSL has followed the law regarding delinquent payments due TRSL. We are also pleased that your office noted, in *Exhibit 9* of your report, that TRSL has substantially exceeded the 8.25% actuarially required rate of return over the last ten years.

There are no recommendations for improvement affecting TRSL in your report, but we do have comments concerning the *Matter for Legislative Consideration 1*, which suggests that the legislature should consider changing the rate charged by retirement systems on delinquent payments to a rate more representative of what the retirement systems earn in their investment portfolios. Charging delinquent accounts the actuarial assumed rate of return, currently 8.25% for TRSL, would seem fair, since the legislature has set that rate as TRSL's target return. At present, late payments that are charged less than 8.25% actually penalize those agencies that pay timely, since all agency employer contribution rates are based on an assumed investment rate of return of 8.25%. To illustrate, if TRSL is required to earn at least 8.25% but receives only 6.25% from a delinquent payer, the 2% difference in earnings must be made up through a slightly increased employer contribution rate for all employers.

Regarding the comment that 54% of TRSL member agencies were late submitting contributions in at least one of the past three fiscal years, note that delinquent payments are typically the result of either delayed mail or wire transfer problems, which are usually resolved within 15 days. While improvement by some agencies is needed, the financial impact to TRSL has been minimal, particularly since legal interest has always been collected on late payments.

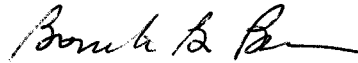
To add some perspective to *Exhibit 3* of your report, which shows that as of January 18, 2005, TRSL was due \$2,267,011 in delinquent payments, note that TRSL receives approximately \$65,000,000 in retirement contributions monthly. Thus, delinquent payments as of January 18

Mr. Steve J. Theriot, CPA  
Page 2  
February 24, 2005

represent only about 3.5 percent of monthly contributions. Also note that as of February 15, only \$493,275 of the January 18 delinquencies remained, with most of this amount due from one parish school board that is experiencing well-publicized financial problems.

We appreciate the professionalism and courtesy exhibited by your audit staff during the audit and look forward to working with your staff and the legislature on future retirement issues.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bonita B. Brown".

Bonita B. Brown, CPA  
Director

BBB/SC/lg



# LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

P.O. BOX 44213 • BATON ROUGE, LOUISIANA 70804-4213

8401 UNITED PLAZA BLVD.  
BATON ROUGE, LA 70809

VOICE: 225-922-0600  
TOLL-FREE: 1-800-256-3000  
www.lasers.state.la.us

February 24, 2005

Steve Theriot, CPA  
Legislative Auditor  
State of Louisiana  
Post Office Box 94397  
Baton Rouge, LA 70804-94397

Dear Mr. Theriot:

In response to your January 2005 report on the results of your performance audit concerning late payments made to the Louisiana State Employees' Retirement System (LASERS), I want to thank your office for its handling of this project. Our office was impressed with the professionalism of your staff and with the manner in which you handled the reporting of these results. Your communication with LASERS' staff was exemplary and we were given ample time in which to produce the documentation requested. Our office finds this report to be a fair presentation of your findings.

As noted in your report, LASERS' delinquencies are the lowest of the group of retirement systems you reviewed and this is directly related to the proactive efforts that have been put in place by LASERS' Fiscal Division staff. The Board of Trustees has been receiving monthly agency delinquency reports and has been urging staff to keep the delinquencies low. Staff regularly makes calls to agencies that are nearing the delinquency deadlines and urges them to send the funds to our system.

Recommendation 1: LASERS should begin charging delinquent payers interest at the legal rate of interest, as required by law.

Response to Recommendation 1: LASERS will begin charging delinquent employer agencies in accordance with R.S.11:281(B). This will begin effective April 2005.

However, LASERS would like to request a change in the definition of the time frame in which a contribution is considered delinquent. According to R.S. 11:531(B)(1), "The monthly retirement report and the payments due representing employee and employer contributions shall be considered delinquent when not received in the office of the director within fifteen days after the close of each calendar month". LASERS would like to request the Legislative Auditor's support in getting the definition changed to "within thirty days after the close of each calendar month". This would provide more efficiency in the operations of this area. This change would also be consistent with the manner in which LSERS handles their delinquencies.

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Virginia Burton, Chair  
John Kennedy  
Rep. Pete Schneider

Sen. Lambert Boissiere, Jr.  
Barbara McManus McCann  
Kathy Singleton

Cynthia Bridges  
Louis S. Quinn  
Cheryl Turner

Connie Carlton  
Sheryl M. Ranatza  
Judge Trudy M. White

Robert L. Borden,  
Executive Director

Matter for Legislative Consideration 1: The legislature may wish to consider changing the required rate of interest charged to late payers from the legal rate of interest to a rate more representative of what the retirement systems earn in their investment portfolios today. For example, they could use the actuarially assumed rate of return.

Response to Matter for Legislative Consideration 1: LASERS agrees that the most appropriate required rate of interest to be charged to late payers would be the actuarially assumed rate of return.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert L. Borden", with a long, sweeping horizontal line extending to the right.

Robert L. Borden, CFA  
LASERS Executive Director